

Tennessee State Board of Accountancy

MEETING MINUTES

January 18, 2008

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Friday January 18, 2008 at 8:30 am.

Board members present were; Chairman Kenneth Cozart, Vic-Chairman Vic Alexander, Secretary William Underwood, Lisa Mays Stickle, William Blaufuss, Alfred Creswell and Jennifer Brundige

Also present were; Interim Executive Director Mark Crocker, Deputy Counsel Wayne Pugh, accountancy staff members Daniel Syriac and Mary Flagg; TSCPA staff members Brad Floyd and Wendy Garvin.

The meeting was opened by Chairman Cozart. Newly appointed board member Jennifer Brundige , was introduced and welcomed respectively by the chairman. Ms. Brundige expressed her anticipation and pleasure to be a part the Tennessee State Board of Accountancy.

Chairman Cozart also acknowledged the presence of TSCPA members Brad Floyd and Wendy Garvin.

Mr. Cozart accepted the resignation of the board's former attorney Bethany Heuer and noted that Wayne Pugh was present as the board's legal counsel for this meeting.

Chairman Cozart presented the **Consent** agenda for approval. Two items presented were the minutes from the October 19, 2007 board meeting and September 21, 2007 teleconference. Mr. Blaufuss had a correction to the teleconference minutes. The minutes mistakenly reported that Mr. Blaufuss abstained from all votes. Mr. Blaufuss offered the correction that he only abstained for one vote, when called to vote for Mark Crocker as executive director. The correction was noted. Chairman asked for further corrections to the October or September minutes. With no further corrections given, the motion to accept was made by Chairman Cozart. Alfred Creswell made a motion to accept. William Underwood seconded. Motion was approved.

The **Executive Committee** report was presented by Chairman Cozart. The executive committee served as the search committee in seeking a candidate for the executive director position. Nine candidates were interviewed over a period of two days. At the conclusion of the interviews and final deliberations, Mark Crocker was the candidate named as the committee's recommendation to the full board for approval as the executive director. Several of the board members expressed support of the Committee's recommendation and there were no expressions of nonsupport or dissatisfaction with the Board's choice. Chairman Cozart called for a vote on the Executive committee's recommendation of Mark Crocker as Executive Director. New board member Jennifer Brundige stated she would abstain from this vote. All in favor responded aye. There were no oppositions and one abstained. Mark Crocker was named the new Executive Director of the Tennessee State Board of Accountancy.

A discussion of salary for the executive director ensued. Reference to the salary of past accountancy board executive directors, financial stability of the accountancy board and expectations from Mark Crocker were used as tools for the basis of this discussion. Following a candid and informative dialogue among board members, a salary of 95K was presented to the Board by the chairman for a vote. All responded aye in favor of the director's salary of 95K. There were no oppositions and no one abstained from this vote. Mr. Crocker's starting salary was approved at 95K.

Chairman Cozart opened the discussion regarding the merits of a contract for the Executive Director. Deputy Counsel Pugh advised that the statutes provide the appointment of executive director by the Accountancy board for a term of six (6) years and subject to dismissal for cause. The Director may also be reappointed by the Board. Due to the uniqueness of the Laws of the accountancy board it is the consensus of the Board that no contract is needed for the executive director.

The **Executive Director's Report** presented by Mark Crocker detailed several items; the new Assistant Commissioner of Regulatory Boards is Steven Majchrzak.

Renewal season encountered a few problems but none as significant as last year with the introduction of the new online renewal system. Because some problems did arise, late fees will not be assessed on renewals until the end of January.

The new compute system is expected to get underway in the summer of 2008.

The postal area responsible for mailing out renewal certificates was temporary out of envelopes which caused a few days delay in sending out certificates. The envelopes were received the first week of January and all the certificates were mailed at that time.

New Law and Rule books are scheduled for shipment from the printer on January 28, 2008.

Director Crocker is slated to speak on "Investigative Techniques" at NASBA's Executive Director's conference scheduled for March 2-5 in Austin, Texas.

Initiating a tracking system for compliance of signed consent orders has improved the efficiency of documenting compliance of disciplinary actions by licensees.

Chairman Cozart asked Mr. Crocker if he would assist Sara Luna, Assistant Commissioner Office staff member, with writing letters of "Thank You" to each of the candidates interviewed for the executive director position. Mr. Crocker agreed to help.

Finance and Administration Committee did not meet but William Underwood committee member reported that an abbreviated financial report had been given to him by the executive director and a full report will be presented at the April board meeting.

Lisa Stickle represented the **Licensing Committee** and reported that three (3) Tennessee Exempt Organizations (TEO) applications were reviewed. One (1) was denied and two (2) were approved. This committee also approved one (1) hour of state specific CPE be granted to each board member who attends a board meeting not to exceed four (4) CPE hours per year. Ninety-three (93) licenses were approved; fifty-nine (59) initial and thirty-four (34) reciprocities. Stickle and Blaufuss audited twenty-one (21)

applications with no exceptions. Abatement of 80 CPE hours was requested by licensee Mark Fly due to failure to receive his renewal notice. The committee denied his request. A motion was made by William Underwood to accept the committee's report. Seconded by Al Creswell. Motion was approved.

Probable Cause report presented by Vic Alexander. Civil penalties assessed- \$1500.00; 1 Letter of Warning; 1 Letter of Instruction; 1 Complaint Closed; 1 Complaint Deferred. Counsel Pugh corrected the civil penalties assessed should have been reported as civil penalties authorized which is actually a recommendation to accept a Consent Order. With no further corrections, questions or comments, William Underwood made a motion to accept the report. Lisa Stickle seconded. Motion was approved.

Al Creswell reported from the **Peer Review Committee** meeting. Board members Creswell and Blaufuss meet with other members of the committee and approved fifteen (15) firm permits with no exceptions. The primary item for discussion was the achievability of transferring the peer review function from the board to the AICPA or TSCPA. In an effort to facilitate the decision making process, board member, Bill Underwood ask the executive director to access the legal issues involved to determine if such a transfer was possible. Mr. Crocker agreed to research and present the information requested to the board at the next scheduled board if not sooner. Mr. Creswell also reported, three (3) firms requested and was granted exemption from peer review because they did not perform attest functions. In addition three (3) other firms requested extensions to meet the peer review requirement. One (1) was approved and two (2) denied. Complaints could be opened against the two (2) firms not in compliance with the peer review requirement. There was no further discussion or questions. Lisa Stickle make a motion to accept the report. Mr. Underwood seconded the motion. Motion was approved.

The **Executive Committee** examined a report form the Public Company Accounting Oversight Board (PCAOB) they had received from accountancy board executive director, Mark Crocker. Unsure of the meaning of the contents and purpose of the report the committee ask the executive director to contact PCAOB to determine the accountancy board's intended use and purpose for the report. The transparency matter of peer review results was discussed with no conclusion reached. Reference to the minutes of the August 3, 2007 meeting was used to aid in how to proceed based on past dialogue of the transparency issue. The executive director was asked to research the laws surrounding this subject and report his findings at the next meeting. Chairman Cozart urged all board members to attend at least two NASBA meeting per year; the Southeastern NASBA meeting and the NASBA National Convention. NASBA asked the accountancy board to nominate someone for vice-president. William Underwood made a motion to nominate Will Pugh if he will accept the nomination. Vic Alexander seconded the motion. Motion was approved. It was revealed before the end of this meeting that Mr. Pugh declined the nomination. There was no other nomination presented for vice president. The merits or necessity of this board's involvement in a substance abuse program was not defined therefore, this proposal did not survive. Bill Underwood made a motion to accept the executive committee's report. Lisa Stickle seconded. Motion approved.

New Business

A request from the AICPA on behalf of the Board of Examiners asking for comments on improving the uniform CPA examination was forwarded to Lisa Stickle from the executive director. Ms. Stickle made a motion to ask that this request be turned over to the Licensing committee and completed by January 31, 2008 with the committee's response returned to Mark Crocker. Motion was seconded by Bill Underwood. Motion approved.

Discussion surrounding the need of the accountancy board to hire an attorney as well as an investigator concluded with the request for Mark Crocker and Kenneth Cozart to come up with a list of candidates for the investigator position. Hiring two (2) investigators was placed on hold for the time being due to hiring more than one (1) investigator this fiscal year would require a budget amendment. Only one (1) investigator will be hired at this time. Advertisement for an investigator will be placed in trade journals and on the TSCAP website without the mention of salary. The accountancy board will make no attempts to locate or hire an attorney since the board does not have the authority to hire an attorney.

William Blaufuss ask, if a board member attends a committee meeting which he or she is not a member of the committee, does the person attend as a board member or a public member? The executive director responded by saying if a committee is meeting and any board member outside that committee attends; he or she will be attending as a public member. Furthermore, if the Chairman approves that person's attendance he or she can be compensated by travel reimbursement.

William Underwood commented on the issue of Dismissal for Cause for the executive director. According to attorney Pugh, Cause has not been defined. Mr. Underwood suggested that the board may want to define Cause in order to give the director some expectations of its meaning.

Old Business

The board is ready to explore its pursuit for independence. Teresa Jeter-McAvoy was given the task to outline the direction the board wants to seek in the area of independence. The report from Ms. Jeter-McAvoy will provide the board with necessary information before this subject is discussed with the governor. Chairman Cozart stated that independence could give the board the opportunity to become more proactive in regulating the profession. Because of her absence from this meeting, the executive director was asked to contact Ms. Jeter-McAvoy for the status of her report on the board's direction for independence. Texas Board of Accountancy can be viewed as a model for self-directed/semi-independence status.

The Tongate matter has been settled. Payment was not made from Accountancy funds. Payment was made from state claim award funds.

No further business was discussed the meeting was adjourned.